

Message Text

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ORIGIN SS-20

INFO OCT-01 EUR-25 ISO-00 AID-20 IGA-02 MC-02 AEC-11

ACDA-19 OMB-01 SSO-00 NSCE-00 USIE-00 INRE-00 CIAE-00

PM-07 INR-10 L-03 NEA-11 NSAE-00 PA-04 RSC-01 PRS-01

SPC-03 TRSE-00 SAJ-01 DODE-00 H-03 NSC-10 /155 R

DRAFTED BY E: JWBILLER:CB

APPROVED BY E: WJCASEY

S/S- MR. LUERS

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FM SECSTATE WASHDC

TO AMEMBASSY BONN IMMEDIATE

C O N F I D E N T I A L STATE 013703

E.O. 11652: GDS

TAGS: PFOR, NATO, MCAP, EFIN

SUBJECT: OFFSET

REF: STATE 13411

FOR AMBASSADOR HILLENBRAND FROM UNDER SECRETARY CASEY

1. IN ADDITION TO CONVERSATION IN WHICH SHULTZ EMPHASIZED TO SCHMIDT IMPORTANCE OF MEETING JACKSON-NUNN REQUIREMENTS AND SPECIAL VALUE OF BEING ABLE TO SHOW PROGRESS IN SECURING ASSISTANCE ON TROOP STATIONING COSTS, UNDER SECRETARY OF TREASURY VOLCKER HAD MORE DETAILED DISCUSSION WITH POHL.

2. VOLCKER POINTED OUT THAT ACCORDING TO OUR CALCULATIONS INCREMENTAL BUDGETARY COSTS RESULTING FROM STATIONING U.S. TROOPS IN GERMANY RATHER THAN AT HOME TOTALED APPROXIMATELY DOLS 300 MILLION ANNUALLY. CURRENT GERMAN OFFER OF DOLS 125 MILLION (ALL FIGURES ON ANNUAL BASIS) IN BARRACKS REHABILITATION AND RELIEF FROM LANDING FEES AND TAXES
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WAS ACCEPTABLE AS OFFSET BUT IT WAS ESSENTIAL THAT FRG

COME UP WITH ADDITIONAL DOLS 175 MILLION TO FILL GAP.

3. IF THEY DO, WE WOULD BE ABLE TO MAKE HIGHLY PRESENTABLE CASE TO CONGRESS ON SATISFACTION OF JACKSON-NUNN. FRG BUDGET SUPPORT WOULD TOTAL DOLS 300 MILLION. WE BELIEVE WE HAVE GOOD CHANCE OF RAISING PROCUREMENT COMPONENT FROM

DOLS 550 MILLION TO DOLS 650 MILLION BY QUALIFYING SEVERAL COMMERCIAL TRANSACTIONS FOR INCLUSION. THIS WOULD YIELD TOTAL OF DOLS 950 MILLION INHARD OFFSET FROM FRG. WE ARE AIMING FOR DOLS 850 MILLION IN HARD OFFSET FROM OTHER EUROPEAN NATO MEMBERS. THIS WOULD BRING TOTAL HARD OFFSET TO DOLS 1,800, ONLY DOLS 325 MILLION SHORT OF JACKSON-NUNN GOAL OF DOLS 2,125 MILLION.

4. GAP CAN BE FILLED WITH SOME COMBINATION OF FLOWBACK AT MODEST LEVEL, INTEREST-FREE PRIOR DEPOSITS AGAINST FUTURE MILITARY PROCUREMENT, AND CONCESSIONAL LOANS. THIS SOFT COMPONENT WOULD BE SMALL ENOUGH PORTION OF TOTAL PACKAGE SO THAT IT WOULD ALMOST CERTAINLY BE ACCEPTABLE TO CONGRESS.

5. I BELIEVE THAT IT IS IMPORTANT TO SUCCESS IN NEXT ROUND OF NEGOTIATIONS THAT YOU SEE THAT WORD OF SHULTZ-VOLCKER REPRESENTATION GETS TO ALL CHANNELS--HERMES, LEBER, WHOEVER YOU THINK LIKELY TO HAVE INPUT INTO FRG SECURITY COUNCIL MEETING SCHEDULED FOR THIS WEEK TO CONSIDER IMPROVING FRG OFFER ON BUDGET SUPPORT. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY BUDGET, TROOP DEPLOYMENT, MILITARY PLANS, JACKSON-NUNN AMENDMENT, OFFSET PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE013703
Document Source: CORE
Document Unique ID: 00
Drafter: JWBILLER:CB
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740124/aaaaawjs.tel
Line Count: 91
Locator: TEXT ON-LINE
Office: ORIGIN SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: STATE 13411
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 01 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 MAY 2002 by martinml>; APPROVED <26 DEC 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OFFSET
TAGS: EFIN, GE, NATO
To: BONN
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005